



## Legislation Text

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### City of Alexandria, Virginia

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#### MEMORANDUM

**DATE:** JULY 1, 2020

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of the Monthly Financial Report for the Period Ending May 31, 2020.

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**ISSUE:** Receipt of the Monthly Financial Report for the Period Ending May 31, 2020.

**RECOMMENDATION:** That City Council receives the Monthly Financial Report (Attachment 1).

**BACKGROUND:** The following discussion is a summary of the Monthly Financial Report for this period. Schedules comparing revenues and expenditures to date to the same period in FY 2019 are attached.

**DISCLAIMER:** This monthly financial report provides an update for City Council on the financial condition of the City as of May 31, 2020. In March 2020, the City's economic outlook changed dramatically as safeguards related to the COVID-19 pandemic were put into place. On March 24, 2020, City Council passed several emergency ordinances and resolutions to provide some tax relief the business community. Social distancing, restrictions placed on the number of people that can gather, quarantine recommendations and the virtual elimination of travel and tourism has had a significant negative impact on revenue projections in FY 2020. On April 1, 2020, staff presented City Council with an updated projection for FY 2020 (Attachment 1). It is important to note that the current FY 2020 revenue forecast is not sufficient to cover the appropriated expenditure amount. A combination of expenditure reductions and use of fund balance is expected to be utilized to fund this gap as outlined in the FY 2021 Budget version 2.0.

**REVENUES.** As of May 31, 2020, General Fund revenues totaled \$523.1 million, an increase of \$7.4 million or 1.4% above revenues collected at the same time in FY 2019. After eleven months in FY 2020, approximately 67.1 percent of budgeted revenues have been collected. Revenues may not track consistently with the calendar since many revenue sources have due dates that do not occur evenly through the year. Large revenue sources, such as real estate and personal property tax revenues are remitted twice per year and once per year,

respectively. Personal property taxes were due on October 5<sup>th</sup>. Personal Property tax revenue is \$54.0 million through May 2020, which is 10.8 percent higher than collections for the same period last year. With the elimination of the decal, the motor vehicle license fee was eliminated. The personal property tax rate was increased to offset this fee elimination. The first half of the calendar year real estate tax is due on June 15<sup>th</sup>. At this time, the City has collected 58.8 percent of budgeted revenues and revenues collected in FY 2020 exceed revenues for this period in FY 2019 by \$14.6 million. This is entirely related to timing and should not be considered economically significant.

Attachment 3 provides a comparison of local consumer taxes for the month of May. It is important to note that prior to the pandemic many taxes were reflecting a very strong economic environment. Local sales tax is trending 9.4 percent over collections in FY 2019. Sales tax revenue is remitted by the State, two months after it is collected. Through 11 months of the fiscal year, the City has received 9 months of local sales tax revenue, which amounts to 79.9

percent of the amount budgeted. Through May 2020, Recordation tax revenue reflects 102.8 percent of the budgeted amount and exceed collections for the same period in FY 2019 by 32.2 percent.

Business License taxes were due on March 1 and were based on pre-COVID-19 gross receipts earned in 2019. Revenues of \$33.6 million reflect 97.6 percent of the budgeted amount and are 4.7 percent lower than revenues in FY 2020 through month eleven. Most notable in this category is that collections to date exceed our COVID-impacted revenue forecast by \$2.8 million, meaning the rate of delinquencies from businesses was not as high as staff initially forecast.

There are several consumer tax categories that as expected have been significantly negatively impacted by the COVID-19 environment, in large part due to measures taken by the City to provide relief to the business community. Revenue from Meals Sales and Transient Lodging taxes declined significantly in April. Through month 11, Meals tax revenue was down 12.7 percent compared to FY 2019 and Transient Lodging tax revenue was down 18.0 percent. Transient Lodging tax revenue is performing ahead of the FY 2020 projections by \$1 million, while May receipts for April activity were 93 percent lower than the previous year. Meals tax revenue is more than \$2 million ahead of the FY 2020 revenue projection shown in column B.1 in Attachment 1, but the collections in May are also almost 75 percent lower. Although not material, Admissions tax revenue is also trending slightly ahead of the projected amount for the year, but collections in April were, for all intents and purposes, non-existent. For these three categories of revenue (Meals, Transient and Admissions), it was assumed that the City would receive no additional revenue in FY 2020 due to relief efforts, stay at home orders and social distancing. These three categories, plus Business License tax revenue, that are exceeding their projections may help close the City's projected \$32 million budget gap by approximately \$6.6 million. The outlook is still very challenging in the months to come, so these are funds that are not yet certain.

The Monthly Financial Report includes a projection of total General Fund revenues for the year (Attachment I, Column B1). Prior to changes in the economy from COVID-19, most categories of revenues were expected to meet or exceed the FY 2020 budgeted amount. Communication Sales and Use tax continue to decline each year due to consumer behavioral changes related to telecommunications and television. Market interest rates are significantly lower than assumed during the development of the FY 2020 budget and are resulting in lower Revenue from Use of Money and Property compared to FY 2019 and compared to the FY 2020 budgeted amount. It should be noted that Fine and Forfeitures, Charges for City Services and Revenue from Use of Money and Property, although all significantly below revenues in FY 2019, are trending at or above the FY 2020 revenue forecast.

As noted previously, this monthly financial report includes projections (Attachment 1, Column B1) that reflects

a long, slow recovery period. Most notable will be the significant declines in taxes generated from consumer spending (consumer goods, personal services, etc.), travel and tourism. In fact, according to more current credit and debit card spending depicted on Tracktherecovery.org, Alexandria consumer spending has dropped 25% since January which is slightly higher than Arlington and higher than Fairfax County with a 20% drop. On March 24, City Council adopted an emergency ordinance that placed a moratorium on certain tax related penalties and fees until the end of June. To help mitigate the financial stress on the community, Finance Department staff has curtailed collection efforts on overdue taxes. The taxes are still owed and will be pursued when the timing is more appropriate. Real Estate Tax bills were issued in mid-May. These taxes are due on June 15. Real Estate tax revenue represents approximately 50 percent of the City's General Fund revenue.

**EXPENDITURES:** As of May 31, 2020, General Fund expenditures totaled \$591.3 million, an increase of \$1.5 million, or 0.3 percent, compared to the same time period for FY 2019. In addition, at 91.7 percent of the way through the fiscal year and with 91.6 percent of payrolls processed, no department has a percent of budget expended amount significantly differing from this rate of spending except where the timing of expenditures does not track to the fiscal year. It should be noted that the City is recording a number of unplanned expenditures related to COVID-19. Staff is tracking these expenditures and will be prepared to submit spending information to FEMA in the event that reimbursement is available and also charge eligible expenses to federal CARES funding. Of the \$13.9 million the City has received, \$4.6 million has been set aside to offset City general government costs. In addition, the City has instituted efforts to mitigate spending (e.g., travel bans, a selective hiring freeze) to ensure that the City reduces the need for the use of fund balance budget at the end of FY 2020.

The most significant differences in expenditures for this report result from the timing and source of payments. The variance in the Department of Transportation and Environmental Services is largely attributable to the shift of the residential curbside refuse collection program from the General Fund (in FY 2019) to a self-supported fund in FY 2020. This is offset by the transfer of the Fleet Services Division from General Services, which is showing a 4.5 percent decline in spending compared to FY 2019, to TES in FY 2020.

**ATTACHMENTS:**

- Attachment 1: Comparative Expenditure Schedule for May 31, 2020
- Attachment 2: Comparative Revenue Schedule for May 31, 2020
- Attachment 3: Consumer Tax Revenue Comparisons for May

**STAFF:**

Laura Triggs, Deputy City Manager  
Kendel Taylor, Director, Finance Department  
Morgan Routt, Director, OMB

**CITY OF ALEXANDRIA, VIRGINIA**

**COMPARATIVE STATEMENT OF REVENUES**

**GENERAL FUND**

**FOR THE PERIODS ENDING MAY 31, 2020 AND MAY 31, 2019**

	<b>A</b>	<b>B.1</b>	<b>B</b>	<b>C=B/A</b>	<b>D</b>	<b>E</b>
	<b>FY 2020</b>	<b>FY 2020</b>	<b>FY2020</b>	<b>FY2020</b>	<b>FY2019</b>	<b>FY2019</b>
	<b>APPROVED</b>	<b>PROJECTED</b>	<b>REVENUES</b>	<b>%</b>	<b>REVENUES</b>	<b>%</b>
	<b>BUDGET</b>	<b>REVENUES</b>	<b>THRU 05/31/20</b>	<b>OF BUDGET</b>	<b>THRU 05/31/19</b>	<b>OF BUDGET</b>
<b>General Property Taxes</b>						
Real Property Taxes.....	\$ 462,848,143	459,370,705	\$ 272,002,422	58.8%	\$ 257,428,287	57.6%
Personal Property Taxes.....	56,926,910	53,929,638	53,989,759	94.8%	48,733,900	96.0%
Penalties and Interest.....	2,708,000	1,762,663	2,022,647	74.7%	2,203,169	66.8%
Total General Property Taxes	\$ 522,483,053	\$ 515,063,006	\$ 328,014,829	62.8%	\$ 308,365,357	61.5%
<b>Other Local Taxes</b>						
Local Sales and Use Taxes.....	\$ 28,800,000	25,888,795	\$ 23,016,945	79.9%	\$ 21,042,084	76.0%
Consumer Utility Taxes.....	12,000,000	12,600,000	9,510,442	79.3%	9,095,602	77.1%
Communication Sales and Use Taxes.....	9,200,000	8,710,000	6,760,828	73.5%	6,972,218	70.4%
Business License Taxes.....	34,378,000	30,800,000	33,565,264	97.6%	35,235,764	101.0%
Transient Lodging Taxes.....	12,800,000	6,966,061	8,077,784	63.1%	9,845,752	74.2%
Restaurant Meals Tax.....	24,231,000	14,599,336	17,287,077	71.3%	19,807,749	82.0%
Tobacco Taxes.....	2,600,000	2,600,000	1,933,818	74.4%	2,083,615	74.4%
Motor Vehicle License Tax.....	-	-	-	0.0%	3,465,140	88.4%
Real Estate Recordation.....	6,000,000	7,254,688	6,169,595	102.8%	4,666,426	88.0%
Admissions Tax.....	670,000	389,579	443,637	66.2%	468,217	69.9%
Other Local Taxes.....	4,809,090	4,840,000	3,390,650	70.5%	4,017,810	86.6%
Total Other Local Taxes	\$ 135,488,090	\$ 114,648,458	\$ 110,156,040	81.3%	\$ 116,700,376	83.9%
<b>Intergovernmental Revenues</b>						
Revenue from the Fed. Government.....	\$ 10,397,000	9,123,029	\$ 7,855,883	75.6%	\$ 7,449,106	82.1%
Personal Property Tax Relief from the Commonwealth.....	23,578,531	23,578,531	23,578,531	100.0%	23,578,531	100.0%
Revenue from the Commonwealth.....	23,621,515	23,698,540	19,082,868	80.8%	18,865,893	77.5%
Total Intergovernmental Revenues	\$ 57,597,046	\$ 56,400,100	\$ 50,517,282	87.7%	\$ 49,893,530	87.6%
<b>Other Governmental Revenues And Transfers In</b>						
Fines and Forfeitures.....	\$ 4,930,450	3,373,968	3,860,035	78.3%	\$ 3,879,343	74.7%
Licenses and Permits.....	2,615,350	1,419,920	1,300,680	49.7%	1,976,649	75.7%
Charges for City Services.....	15,790,462	11,449,323	15,504,674	98.2%	17,349,494	79.8%
Revenue from Use of Money & Prop.....	11,406,650	7,232,318	7,587,047	66.5%	9,593,268	119.5%
Other Revenue.....	2,591,285	2,126,920	1,913,412	73.8%	2,048,419	110.5%
Transfer from Other Funds.....	9,291,882	9,271,882	4,283,941	46.1%	5,980,336	50.2%
Total Other Governmental Revenues	\$ 46,626,079	\$ 34,874,331	\$ 34,449,789	73.9%	\$ 40,827,509	79.5%
<b>TOTAL REVENUE</b>	<b>\$ 762,194,268</b>	<b>\$ 720,985,895</b>	<b>\$ 523,137,940</b>	<b>68.6%</b>	<b>\$ 515,786,772</b>	<b>68.9%</b>
<b>Appropriated Fund Balance</b>						
General Fund.....	\$ 13,660,407	\$ 13,900,000		\$ -	\$ -	\$ -
Cash Capital.....				-	-	-
Encumbrances And Other.....	4,011,361			-	-	-
Supplemental Appropriations.....				-	-	-
<b>TOTAL</b>	<b>\$ 779,866,036</b>	<b>\$ 734,885,895</b>	<b>\$ 523,137,940</b>	<b>67.1%</b>	<b>\$ 515,786,772</b>	<b>68.2%</b>

**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION  
GENERAL FUND  
FOR THE PERIODS ENDING MAY 31, 2020 AND MAY 31, 2019**

	A	B	C=B/A	D	E
	FY 2020 APPROVED BUDGET	FY2020 EXPENDITURES THRU 05/31/2020	% OF BUDGET EXPENDED	FY2019 EXPENDITURES THRU 05/31/2019	% OF BUDGET EXPENDED
<b>FUNCTION</b>					
Legislative & Executive.....	\$ 3,495,056	\$ 2,906,653	83.2%	\$ 2,735,136	86.0%
Judicial Administration.....	\$ 46,011,254	\$ 39,441,176	85.7%	\$ 39,745,937	88.2%
<b>Staff Agencies</b>					
Communications.....	\$ 1,544,294	\$ 1,303,378	84.4%	\$ 1,123,416	74.8%
Human Rights.....	905,798	796,476	87.9%	829,942	95.9%
Information Technology Services.....	12,123,957	10,069,886	83.1%	10,179,408	85.1%
Management & Budget.....	1,364,181	1,206,169	88.4%	1,065,055	84.6%
Finance.....	13,555,967	10,426,097	76.9%	10,487,232	81.6%
Performance and Accountability.....	535,509	446,764	83.4%	387,091	79.3%
Internal Audit.....	442,002	231,266	52.3%	203,943	47.5%
Human Resources.....	4,689,778	3,802,528	81.1%	3,717,907	84.3%
Organizational Excellence	150,446	63,287	42.1%		
Planning & Zoning.....	6,390,022	5,238,900	82.0%	5,152,278	85.6%
Economic Development Activities.....	7,131,946	6,249,609	87.6%	5,620,341	97.1%
City Attorney.....	4,282,658	3,738,158	87.3%	3,268,779	85.1%
Registrar.....	1,335,329	1,066,866	79.9%	987,154	80.1%
General Services.....	12,007,997	9,518,727	79.3%	11,977,027	81.2%
Total Staff Agencies	\$ 66,459,884	\$ 54,158,111	81.5%	\$ 54,999,573	84.1%
<b>Operating Agencies</b>					
Transportation & Environmental Services.....	\$ 24,352,518	\$ 18,458,393	75.8%	\$ 23,430,392	84.1%
Project Implementation.....	-	250	0.0%	7,086	75.7%
Fire.....	55,307,474	45,770,620	82.8%	48,034,394	90.5%
Police.....	67,140,443	55,976,447	83.4%	58,179,994	89.1%
Emergency & Customer Communications.....	8,498,862	7,184,159	84.5%	6,579,709	84.1%
Code.....	24,449	5,612	23.0%	4,491	18.7%
Transit Subsidies.....	21,751,104	16,464,250	75.7%	16,702,969	96.3%
Housing.....	1,909,924	1,615,205	84.6%	1,530,970	82.7%
Community and Human Services.....	14,574,157	12,509,186	85.8%	12,607,564	92.6%
Health.....	8,363,542	7,684,185	91.9%	8,172,644	93.8%
Historic Resources.....	3,586,582	2,878,630	80.3%	2,650,143	79.7%
Recreation.....	24,038,373	19,714,517	82.0%	19,561,561	84.8%
Total Operating Agencies	\$ 229,547,428	\$ 188,261,454	82.0%	\$ 197,461,916	88.9%
<b>Education</b>					
Schools.....	\$ 231,669,496	\$ 208,502,546	90.0%	\$ 201,446,372	90.0%
Other Educational Activities.....	16,128	12,096	75.0%	12,142	100.0%
Total Education	\$ 231,685,624	\$ 208,514,642	90.0%	\$ 201,458,514	70.8%
<b>Capital, Debt Service and Miscellaneous</b>					
Debt Service - City.....	\$ 35,530,695	\$ 25,987,524	73.1%	\$ 30,070,912	73.0%
Debt Service - Schools.....	\$ 28,112,251	\$ 19,943,052	70.9%	\$ 14,848,840	51.3%
Non-Departmental.....	9,795,495	8,227,751	84.0%	8,934,010	92.7%
General Cash Capital.....	44,230,142	21,590,071	48.8%	18,483,348	92.7%
Contingent Reserves.....	749,170	-	0.0%	-	0.0%
Total Capital, Debt Service and Miscellaneous	\$ 118,417,753	\$ 75,748,398	64.0%	\$ 72,337,110	60.2%
<b>TOTAL EXPENDITURES</b>	\$ 695,616,999	\$ 569,030,435	81.8%	\$ 568,738,186	69.0%
Cash Match (Transportation/DCHS/ and Transfers to the Special Revenue /Capital Projects Funds).....	\$ 52,973,302	\$ 6,508,131	12.3%	\$ 6,186,058	39.8%
Transfer to Housing.....	\$ 8,867,775	2,697,288	30.4%	2,675,632	-
Transfer to Library.....	\$ 7,115,682	58,376	0.8%	40,006	0.5%
Transfer to DASH.....	\$ 15,292,278	12,978,328	84.9%	12,096,024	97.6%
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	\$ 779,866,036	\$ 591,272,558	75.8%	\$ 589,735,906	68.0%
<b>Total Expenditures by Category</b>					
Salaries and Benefits.....	\$ 233,319,522	\$ 195,642,753	83.9%	\$ 202,166,633	77.9%
Non Personnel (includes all school funds) .....	546,546,514	395,629,805	72.4%	387,569,273	63.7%
<b>TOTAL EXPENDITURES</b>	\$ 779,866,036	\$ 591,272,558	75.8%	\$ 589,735,906	68.0%

## Consumer Spending Comparisons

				<b>FY 2020 Month Average - July - February</b>	<b>5 year May Average - 2015 - 2019</b>
	<b>May-20</b>		<b>May-19</b>		
<b>Sales tax (March receipts)</b>	\$ 2,463,923	\$	2,032,832	\$ 2,569,162	\$ 2,389,806
<b>Meals tax (April receipts)</b>	\$ 570,984	\$	2,235,029	\$ 2,043,640	\$ 1,739,600
<b>Transient tax (April receipts)</b>	\$ 96,921	\$	1,326,971	\$ 970,854	\$ 1,217,009
<b>Admissions tax (April receipts)</b>	\$ 2	\$	52,943	\$ 50,300	\$ 56,603
<b>Recordation tax (April receipts)</b>	\$ 540,883	\$	561,392	\$ 630,896	\$ 501,519